

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
CITY OF HAWARDEN, IOWA  
FOR THE  
YEAR ENDED JUNE 30, 2012**

**Prepared by  
Office of the City Clerk  
Gary Tucker, City Administrator/City Clerk  
and Sharole Rens, Deputy City Clerk/Director of Finance**

**CITY OF HAWARDEN**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**June 30, 2012**

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**Elected City Officers**

Ricard Porter – Mayor (2015)

**Council Members:**

Patty Anderson (2013)  
Monte Harvey (2013)  
George Jacobs (2013)  
Larry Bauer (2015)  
Travis Olson (2015)

**Hospital Trustees:**

Matt Hummel (2015)  
Kathy Jacobs (2015)  
Glea Hamik (2015)  
Dennis Hulshof (2013)  
Stan Hoekstra (2013)

**Appointed City Officers**

Gary Tucker – City Administrator/City Clerk/Telecommunications Director  
Sharole Rens – Director of Finance/Deputy City Clerk  
Jim Pickner – City Attorney  
Tom Kane – Director of Public Works  
Mike DeBruin – Chief of Police  
Valerie Haverhals – Librarian  
Matthew Anderson, EMS Director

**Appointed Boards and Commissions**

**Library Board of Trustees:**

Mark Weyer - Chairman  
Teri Kallsen - Vice Chairman  
Lois Jean Dawson  
Kay Scroggs  
Tony Lauters

**Planning and Zoning Commission**

Carol Frerichs - Chairman  
Mike Wiggins - Vice Chairman  
Lloyd Strong, Jr.  
Jerry Jensen  
Lloyd Youngkin  
Terry Branham

**Board of Zoning Adjustment:**

William Salker – Chairman  
Julie Miller  
Jack Andela  
Arvin Kitchenmaster  
John Eilts

**Park Board:**

Duane Schiefen  
Jerrod Lynott  
Elaine Kane  
John Blankenship



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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council  
City of Hawarden, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hawarden Regional Healthcare, (a discretely presented component unit), which statements reflect total assets of \$6,531,462 and total program revenues of \$7,677,017 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Regional Healthcare, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles general accepted in the United States of America require that the management's discussion and analysis, OPEB schedule of funding progress, and budgetary comparison information on pages 4 through 13, 58 and 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden, Iowa's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
Certified Public Accountants

November 13, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Regional Healthcare, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets of the City of Hawarden exceeded liabilities at June 30, 2012 by \$16,197,494. Of this amount, \$6,097,066 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased \$477,524 during the year. Of this amount, the assets of our Governmental Activities increased \$395,757 and the assets of our Business-Type Activities increased \$81,767.
- The City's long-term debt reflected a significant increase of \$3,109,087 as a result of financing the W. 10<sup>th</sup> St. paving project and the 1<sup>st</sup> Phase of our electric improvements project. Outstanding General Obligation debt totals \$1,572,226. Outstanding Revenue Bond Debt totals \$4,124,297.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS WHOLE

### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using a modified accrual basis of accounting, which measures cash



and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2012, net assets changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$4,050,961	\$3,539,528	\$6,992,883	\$4,955,095	\$11,043,844	\$8,494,623
Capital Assets	8,582,395	8,103,778	3,874,153	3,246,593	12,456,548	11,350,371
Total Assets	12,633,356	11,643,306	10,867,036	8,201,688	23,500,392	19,844,994
Long-term Liabilities Outstanding	1,611,151	1,160,619	4,157,360	1,643,884	5,768,511	2,658,189
Other Liabilities	1,160,063	1,016,302	374,324	304,219	1,534,387	1,466,835
Total Liabilities	2,771,214	2,176,921	4,531,684	1,948,103	7,302,898	4,125,024
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,010,169	7,126,342	1,845,312	1,636,593	8,855,481	8,762,935
Restricted	727,287	654,631	517,660	315,079	1,244,947	969,710
Unrestricted	2,124,686	1,685,412	3,972,380	4,301,913	6,097,066	5,987,325
Total Net Assets	\$9,862,142	\$9,466,385	\$6,335,352	\$6,253,585	\$16,197,494	\$15,719,970

The government's net assets increased by \$477,524 during the current fiscal year. Reasons for the increase of the government's net assets are improved operational efficiencies with decreased payroll and operating expenses. This summary reflects an increase of total net assets by 4.1% for the Governmental Activities and an increase of 1.3% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Assets reported in FY 2012 as compared to FY 2011 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 300,299	\$ 350,647	\$ 5,044,465	\$ 5,659,276	\$ 5,344,764	\$ 6,009,923
Operating Grants & Contributions	279,987	279,727	-	-	279,987	279,727
Capital Grants & Contributions	100,987	42,926	-	6,375	100,987	49,301
General Revenues:						
Property Taxes	1,044,597	1,031,974	-	-	1,044,597	1,031,974
Other Taxes	279,819	278,820	-	-	279,819	278,820
Other	215,010	56,051	87,585	41,119	302,595	97,170
Total Revenues	\$ 2,220,699	\$ 2,040,145	\$ 5,432,349	\$ 5,706,770	\$ 7,352,749	\$ 7,746,915

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses:						
General Government	\$126,715	\$137,848	\$ -	\$ -	\$126,715	\$137,848
Public Safety	625,904	594,774	-	-	625,904	594,774
Public Works	526,292	613,346	-	-	526,292	613,346
Health & Welfare	281,114	280,115	-	-	281,114	280,115
Culture & Recreation	444,120	505,171	-	-	444,120	505,171
Community and Economic Development	214,944	58,133	-	-	214,944	58,133
Capital Projects	2,435	11,346	-	-	2,435	11,346
Debt Service	62,418	65,814	-	-	62,418	65,814
Water Utility	-	-	375,178	306,132	375,178	306,132
Waste Water Utility	-	-	341,240	352,849	341,240	352,849
Electric Utility	-	-	1,855,330	1,969,669	1,855,330	1,969,669
Gas Utility	-	-	803,534	1,072,550	803,534	1,072,550
Solid Waste Utility	-	-	136,351	131,344	136,351	131,344
Telephone Utility	-	-	624,289	656,957	624,289	656,957
Cable/Internet Utility	-	-	455,361	415,762	455,361	415,762
Total Expenses	2,283,942	2,266,547	4,591,283	4,905,263	6,875,225	7,171,810
Increase (Decrease) in Net Assets Before Transfers	(63,243)	(226,402)	540,767	801,507	477,524	575,105
Transfers	459,000	322,000	(459,000)	(322,000)	-	-
Increase (Decrease) in Net Assets	395,757	95,598	81,767	479,507	477,524	575,105
Net Assets July 1	9,466,385	9,370,787	6,253,585	5,774,078	15,719,970	15,144,865
Net Assets June 30	\$9,862,142	\$9,466,385	\$6,335,352	\$6,253,585	\$16,197,494	\$15,719,970

Program revenues totaled \$5,725,738 for fiscal year 2012 compared to \$6,338,951 for fiscal year 2011. Governmental Activities provided \$681,273 and Business-Type Activities provided \$5,044,465. Revenue collected for Charges for Services during fiscal year 2012 was \$5,344,764 accounting for 93.3% of the total program revenues.

General Revenues for fiscal year 2012 totaled \$1,627,011. Governmental Activities provided \$1,539,426 and Business-Type Activities provided \$87,585. Property Tax Revenues for fiscal year 2012 totaled \$1,044,597 accounting for 64.2% of General Revenues.

Expenses for fiscal year 2012 totaled \$6,875,225. Expenses for General Governmental Activities totaled \$2,283,942, accounting for 33.2% of total expenses. Business-Type Activity expenses totaled \$4,591,283, for 66.8% of the total.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities

<u>Program Level</u>	<u>Activity</u>
Community and Economic Development ....	Economic Development, Community Beautification, Planning and Zoning
General Government .....	Administration, Support Services
Debt Service .....	Payment of Principal and Interest
Capital Projects .....	Construction of Capital Facilities
Water System .....	Operation of Water Treatment Plant/Supply Distribution System
Sewer System .....	Operation of the Waste Water Treatment Plant/Collection System
Electric System .....	Operation of Electric Distribution System
Natural Gas Utility .....	Operation of Natural Gas Distribution System
Solid Waste Utility .....	Oversight of Solid Waste Contract/Closed Landfill
Telephone Utility .....	Operation of Telephone Communication System
Cable/Internet Utility .....	Operation of Cable/Internet System

### **Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$625,904 and received \$218,672 in revenue, thus leaving a cost to the taxpayer of \$407,232 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,283,942. Of these costs, \$300,299 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$380,974, leaving a Net Expense of \$1,602,669 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$12,146,084, consisting of Net Assets at July 1, 2011 of \$9,466,385, Program Revenues of \$681,273 and General Revenues and transfers of \$1,998,426. Total Governmental Activities during the year expended \$2,283,942; thus, Net Assets were increased by \$395,757, to \$9,862,142.

## **Business-Type Activities**

Business-Type Activities increased the City's net assets by \$81,767.

The cost of all Proprietary Activities this year was \$4,591,283. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,044,465, resulting in total Net Revenue for Business-Type Activities of \$453,182.

Total resources available during the year to finance Proprietary Fund activities were \$10,926,635, consisting of Net Assets at July 1, 2011 of \$6,253,585, Program Revenues of \$5,044,465 and General Revenues and transfers of (\$371,415). Total Proprietary Fund Activities during the year expended \$4,591,283; thus Net Assets were increased by \$81,767 to \$6,335,352.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,914,785. The combined Governmental Funds balance increased \$503,690 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues were greater than expenditures in the General fund by \$243,597. This is a significant improvement from FY 2011 when the General fund decreased by \$39,133. The TIF Fund saw a \$76,410 increase in its fund balance, due mainly to decreases in project debt. The Capital Projects Fund also reflected an increased fund balance of \$55,755.

## Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$606,006	\$598,666	\$ 7,340
Public Works	347,659	359,431	(11,772)
Culture and Recreation	380,058	368,032	12,026
Community and Economic Development	161,209	146,172	15,037
General Government	105,433	73,883	31,550
Health and Social Services	280,000	279,819	181
Debt Service	201,909	217,113	(15,204)
Capital Projects	2,185,842	915,537	1,270,305
Business Type Activities	13,050,282	11,456,482	1,593,800
Total Expenditures	\$17,318,398	\$14,415,135	\$2,903,263

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$15,454,617 was increased to \$15,640,769 (an increase of \$186,152). This increase can be attributed to intergovernmental revenue.
- Property Tax budgeted revenues exceeded actual revenues by \$302,929 due primarily to changes in assessed valuations.
- Intergovernmental revenue exceeded budget figures by \$468,803 which is primarily attributed to the substantial revenue increases in the hospital operation.
- Charges totaled \$12,825,868 which was \$905,477 less than the budgeted amount due to lower weather-related utility revenues, utility administration charges and hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by \$17,364.
- The total original expenditure budget of \$16,837,378 was increased to \$17,318,398 (an increase of \$481,020).
- The above amendments to budgets were related to appropriations for capital improvements and capital outlay. Capital project expenditures included the electric underground project and 10<sup>th</sup> Street paving project as well as other small projects. Expenditures fell below the revised budget projections by \$2,903,263. This is primarily due to careful attention to expenditures.

## **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2012, was \$8,855,481 (net of accumulated depreciation and outstanding financings) compared to \$8,762,935 as of June 30, 2011. The increase can be accounted for by several large capital equipment expenditures and debt reduction funded with profits from our utilities. See Note 4 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end, the City had \$5,696,523 of debt outstanding which is a \$3,109,087 increase from last year. This increase is a result of new debt associated with the electric underground project and W. 10<sup>th</sup> Street paving project. Debt administration is on track for all City debt to be repaid within twenty years. This aggressive repayment schedule, combined with the use of TIF revenue for debt repayment, has allowed the City to maintain a good credit rating which reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,076,227. With outstanding General Obligation Debt applicable to this limit of \$1,572,226, we are utilizing 38.6% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden worked hard in FY 2012 to maintain a progressive approach to growth and community development. During the year work proceeded on utility infrastructure and capital projects continued as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Coilcraft's production and distribution facility continues to provide needed job growth to the community and completed a 20,000 square foot expansion in FY 2012. The Spec Building continues to be marketed with a professional R/E agency. West Sioux Community School has completed a \$3.2 million dollar improvement project. There have also been several new retail businesses open in FY 2012. The City completed a resurfacing project on W. 10<sup>th</sup> Street in FY 2012 and is planning to resurface Central Avenue from 10<sup>th</sup> to 16<sup>th</sup> Street in FY 2013-14.

In business and industry recruitment, the City of Hawarden's Community Development Committee continues to work on business recruitment and retention. Furthermore they

will focus on marketing Hawarden through various means both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden has expanded its comprehensive marketing campaign with a new website and logo which will promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

Hawarden as a community continues to provide excellent medical care through two clinics and Hawarden Regional Healthcare. The Hospital is planning a major expansion/renovation project within the next 12-18 months. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. Work on the walking trail will continue in Fiscal Year 2013 along Highway 10 North and a section near the high school. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Tucker at 712-551-2565.



CITY OF HAWARDEN, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government		Component Unit	
	Governmental	Business-Type	Hawarden	Community
	Activities	Activities	Hospital	Hospital
			Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,385,650	\$ 4,415,648	\$ 6,801,298	\$ 2,331,506
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	55,216	122,757	177,973	1,491,040
Taxes	22,037	-	22,037	-
Subsequent Year Taxes	1,042,086	-	1,042,086	-
Accrued Interest	96	6,579	6,675	-
Other	-	-	-	168,145
Estimated Unbilled Usage	-	200,966	200,966	-
Special Assessments	-	4,638	4,638	-
Notes Receivable	532,279	-	532,279	-
Internal Balances	(252,311)	252,311	-	-
Due From Related Party	-	-	-	411,064
Due from Other Governmental Agencies	82,057	-	82,057	-
Estimated Third-Party Payor Settlements	-	-	-	-
Inventories	-	469,021	469,021	103,951
Prepaid Assets	48,949	48,067	97,016	94,692
Investment in Joint Venture	-	806,840	806,840	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	441,805
Cash and Cash Equivalents - Donor Restricted	134,902	-	134,902	99,973
Cash and Cash Equivalents - Bond Reserve	-	526,722	526,722	-
Customer Deposits	-	58,303	58,303	-
Bond Issue Costs	-	24,937	24,937	-
Land	364,031	56,094	420,125	234,912
Construction in Progress	1,500	1,094,479	1,095,979	264,744
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	8,216,864	2,779,674	10,996,538	889,830
<b>Total Assets</b>	<b>12,633,356</b>	<b>10,867,036</b>	<b>23,500,392</b>	<b>6,531,462</b>
<b>LIABILITIES</b>				
Accounts Payable	70,630	255,294	325,924	169,835
Accrued Wages	36,176	21,054	57,230	176,315
Accrued Expenses	73	7,487	7,560	151,205
Due to Other Governments	-	21,084	21,084	-
Accrued Postclosure Costs	-	2,040	2,040	-
Deferred Revenue - Subsequent Year Taxes	1,042,086	-	1,042,086	-
Accrued Interest Payable	11,098	-	11,098	-
Estimated 3rd Party Payor Settlements	-	-	-	1,220,734
Payables from Restricted Assets:				
Customer Deposits	-	58,303	58,303	-
Accrued Revenue Bond Interest	-	9,062	9,062	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	425,000	425,000	-
General Obligation Bonds	189,530	-	189,530	-
Compensated Absences	6,400	6,776	13,176	-
Due in more than one year:				
Revenue Bonds Payable	-	3,699,297	3,699,297	-
General Obligation Bonds	1,382,696	-	1,382,696	-
Compensated Absences	25,601	26,287	51,888	-
Estimated Other Post Employment Benefit Obligations	6,924	-	6,924	-
<b>Total Liabilities</b>	<b>2,771,214</b>	<b>4,531,684</b>	<b>7,302,898</b>	<b>1,718,089</b>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	7,010,169	1,845,312	8,855,481	1,389,486
Restricted for:				
Debt Service	38,240	-	38,240	-
Specific Revenues	516,140	-	516,140	-
Revenue Bonds	-	517,660	517,660	-
Endowments:				
Expendable	37,962	-	37,962	67,157
Nonexpendable	134,945	-	134,945	96,123
Unrestricted	2,124,686	3,972,380	6,097,066	3,260,607
<b>Total Net Assets</b>	<b>\$ 9,862,142</b>	<b>\$ 6,335,352</b>	<b>\$ 16,197,494</b>	<b>\$ 4,813,373</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 625,904	\$ 210,433	\$ 8,239	\$ -
Public Works	526,292	15,033	239,518	-
Health and Social Services	281,114	-	-	-
Culture and Recreation	444,120	50,772	32,230	6,793
Community and Economic Development	214,944	-	-	94,194
General Government	126,715	24,061	-	-
Capital Projects	2,435	-	-	-
Interest Expense	62,418	-	-	-
Total governmental activities	<u>2,283,942</u>	<u>300,299</u>	<u>279,987</u>	<u>100,987</u>
Business-Type Activities:				
Water Utility	375,178	273,161		-
WasteWater Treatment Utility	341,240	249,446		
Electric Utility	1,855,330	2,370,220		
Gas Utility	803,534	801,167		
Solid Waste Utility	136,351	155,080		
Telephone Utility	624,289	688,947		
Cable/Internet Utility	455,361	506,444		
Total Business-Type Activities:	<u>4,591,283</u>	<u>5,044,465</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 6,875,225</u>	<u>\$ 5,344,764</u>	<u>\$ 279,987</u>	<u>\$ 100,987</u>
Component Unit:				
Hawarden Community Hospital	<u>\$ 6,663,838</u>	<u>\$ 7,376,274</u>	<u>\$ 299,094</u>	<u>\$ 1,703</u>

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
Gain on Sales of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Hawarden Comm. Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (407,232)		\$ (407,232)	
(271,741)		(271,741)	
(281,114)		(281,114)	
(354,325)		(354,325)	
(120,750)		(120,750)	
(102,654)		(102,654)	
(2,435)		(2,435)	
(62,418)		(62,418)	
<u>(1,602,669)</u>		<u>(1,602,669)</u>	
	\$ (102,017)	(102,017)	
	(91,794)	(91,794)	
	514,890	514,890	
	(2,367)	(2,367)	
	18,729	18,729	
	64,658	64,658	
	51,083	51,083	
<u>-</u>	<u>453,182</u>	<u>453,182</u>	
<u>(1,602,669)</u>	<u>453,182</u>	<u>(1,149,487)</u>	
			\$ 1,013,233
1,044,597	-	1,044,597	-
279,819	-	279,819	-
17,812	39,512	57,324	12,310
193,070	-	193,070	-
4,128	48,073	52,201	-
459,000	(459,000)	-	-
<u>1,998,426</u>	<u>(371,415)</u>	<u>1,627,011</u>	<u>12,310</u>
395,757	81,767	477,524	1,025,543
9,466,385	6,253,585	15,719,970	3,787,830
<u>\$ 9,862,142</u>	<u>\$ 6,335,352</u>	<u>\$ 16,197,494</u>	<u>\$ 4,813,373</u>

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2012**

	General	TIF
<b>Assets</b>		
Cash and Cash Equivalents	\$ 605,857	307,086
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	55,216	-
Taxes	9,143	8,789
Subsequent Year Taxes	356,009	461,126
Accrued Interest	-	96
Notes Receivable	-	5,500
Due from Other Governmental Agencies	11,397	-
Prepaid Assets	48,949	-
Restricted Assets:		
Donor Restricted Investments	-	-
Total Assets	<u>1,086,571</u>	<u>782,597</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	26,259	41
Accrued Wages and Compensated Absences	36,176	-
Accrued Expenses	73	-
Deferred Revenue	358,172	466,979
Advance from Other Funds	-	288,960
Total Liabilities	<u>420,680</u>	<u>755,980</u>
Fund Balances:		
Nonspendable:		
Prepaid expenditures	48,949	-
Notes Receivable	-	5,500
Library Endowment	-	-
Restricted for:		
Debt Service	-	-
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Low-Moderate Income Project	-	-
Library Endowment	-	-
Tax Increment Financing	-	21,117
Assigned for:		
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:		
Total Fund Balances	<u>665,891</u>	<u>26,617</u>
Total Liabilities and Equity	<u>\$ 1,086,571</u>	<u>\$ 782,597</u>

Capital Project Street Project	Non-major Governmental Funds	Total Governmental Funds
\$ 15,028	\$ 634,780	\$ 1,562,751
-	-	55,216
-	4,105	22,037
-	224,951	1,042,086
-	-	96
-	407,132	412,632
-	70,660	82,057
-	-	48,949
-	134,902	134,902
15,028	1,476,530	3,360,726
355	43,975	70,630
-	-	36,176
-	-	73
-	224,951	1,050,102
-	-	288,960
355	268,926	1,445,941
-	-	48,949
-	350,365	355,865
-	134,945	134,945
-	49,338	49,338
-	57,524	57,524
-	7,570	7,570
-	100,681	100,681
-	60,655	60,655
-	37,962	37,962
-	-	21,117
-	17,938	17,938
-	13,369	13,369
14,673	377,257	391,930
-	-	616,942
14,673	1,207,604	1,914,785
\$ 15,028	\$ 1,476,530	\$ 3,360,726

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 1,914,785
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,856,612
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net assets.	1,704,978
Deferred property tax revenues that provide current financial resources for governmental activities	8,016
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(11,098)
Accrued compensated absences not reported on the modified accrual basis.	(32,001)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(1,572,226)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,924)</u>
Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 9,862,142</u></u>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General	TIF
Revenue:		
Taxes	\$ 343,341	\$ 478,508
Licenses and Permits	24,061	-
Intergovernmental Revenue	46,813	-
Charges for Services	238,529	-
Fines and Forfeits	12,591	-
Contributions	846	-
Refunds/Reimbursements	14,857	-
Rental Income	15,833	-
Interest	2,312	2,453
Miscellaneous	2,407	-
Total Revenue	<u>701,590</u>	<u>480,961</u>
Expenditures:		
Public Safety	587,244	-
Public Works	327,431	-
Health and Social Services	-	-
Culture and Recreation	357,567	-
Community and Economic Development	46,422	99,042
General Government	73,883	-
Capital Projects	-	-
Debt Service	-	15,204
Total Expenditures	<u>1,392,547</u>	<u>114,246</u>
Excess (deficiency) of revenues over expenditures	<u>(690,957)</u>	<u>366,715</u>
Other financing sources (uses):		
Proceeds from Sale of Assets	193,069	30,000
Bond Proceeds	-	-
Transfers In	746,735	-
Transfers Out	(5,250)	(320,305)
Total other financing sources (uses)	<u>934,554</u>	<u>(290,305)</u>
Net Change in Fund Balance	243,597	76,410
Fund balances-(Deficits)- beginning of year	<u>422,294</u>	<u>(49,793)</u>
Fund balances - end of year	<u>\$ 665,891</u>	<u>\$ 26,617</u>

Capital Projects Street Projects	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 220,927	\$ 1,042,776
-	-	24,061
-	604,391	651,204
-	-	238,529
-	-	12,591
-	14,838	15,684
-	2,507	17,364
-	-	15,833
95	4,965	9,825
-	-	2,407
95	847,628	2,030,274
-	11,422	598,666
-	32,000	359,431
-	279,819	279,819
-	10,465	368,032
-	708	146,172
-	-	73,883
844,340	71,197	915,537
-	201,909	217,113
844,340	607,520	2,958,653
(844,245)	240,108	(928,379)
-	-	223,069
750,000	-	750,000
150,000	197,055	1,093,790
-	(309,235)	(634,790)
900,000	(112,180)	1,432,069
55,755	127,928	503,690
(41,082)	1,079,676	1,411,095
\$ 14,673	\$ 1,207,604	\$ 1,914,785



**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)		\$ 503,690
Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 844,330	
Depreciation expense	<u>(252,969)</u>	591,361
Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.		
		(78,733)
Revenues reported in the funds that are not available to provide current financial resources		1,821
Accrued interest expense that does not require current financial resources		(515)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:		
		249
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.		
		(25,018)
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		
		(750,000)
Other Post Employment Benefits that do not require current financial resources.		(2,308)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		
		<u>155,210</u>
Change in net assets of governmental activities (page 16)		<u>\$ 395,757</u>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**June 30, 2012**

	<b>Business Type Activities</b>		
	<b>Water Utility</b>	<b>Waste Water Treatment Utility</b>	<b>Electric Utility</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 96,714	\$ 201,649	\$ 2,881,890
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	24,345	20,535	13,168
Accrued Interest	-	3,293	3,286
Estimated Unbilled Usage	19,426	15,084	145,629
Special Assessments	4,638	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	7,324
Investment in Joint Venture	-	-	773,064
Advances to Other Funds	-	137,323	126,637
Inventories	27,639	-	234,695
Prepaid Assets	7,259	4,742	19,185
Non-Current Assets:			
Restricted Assets:			
Cash and Cash Equivalents - Bond Reserve	-	-	526,722
Customer Deposits	-	-	-
Bond Issue Costs	-	-	24,937
Land	33,873	130	-
Construction in Progress	46,036	-	1,048,443
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	579,878	475,468	1,225,020
<b>Total Assets</b>	<b>839,808</b>	<b>858,224</b>	<b>7,030,000</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	5,992	8,428	181,304
Accrued Wages	2,130	1,644	10,065
Accrued Expenses	1,142	65	4,830
Due to Other Funds	7,324	-	144,899
Due to Other Governments	-	-	-
Accrued Postclosure Costs	-	-	-
Payables from Restricted Assets:			
Customer Deposits	-	-	-
Accrued Revenue Bond Interest	-	-	9,062
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	-	425,000
Compensated Absences	762	218	3,093
Due in more than one year:			
Revenue Bonds Payable	-	-	3,699,297
Compensated Absences	3,223	1,472	11,235
<b>Total Liabilities</b>	<b>20,573</b>	<b>11,827</b>	<b>4,488,785</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	659,787	475,598	188,528
Restricted for:			
Revenue Bonds	-	-	517,660
Unrestricted	159,448	370,799	1,835,027
<b>Total Net Assets</b>	<b>\$ 819,235</b>	<b>\$ 846,397</b>	<b>\$ 2,541,215</b>

Business Type Activities				Governmental Activities
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Internal Service
\$ 201,364	\$ 459,313	\$ 574,718	\$ 4,415,648	\$ 822,899
18,415	30,430	15,864	122,757	-
-	-	-	6,579	-
12,620	-	8,207	200,966	-
-	-	-	4,638	-
-	-	-	-	119,647
133,250	-	-	140,574	11,649
-	-	33,776	806,840	-
-	-	-	263,960	25,000
44,642	110,863	51,182	469,021	-
5,603	6,216	5,062	48,067	-
-	-	-	526,722	-
53,756	4,547	-	58,303	-
-	-	-	24,937	-
6	-	22,085	56,094	-
-	-	-	1,094,479	-
141,594	165,765	191,949	2,779,674	725,783
611,250	777,134	902,843	11,019,259	1,704,978
8,318	15,439	35,813	255,294	-
1,696	3,449	2,070	21,054	-
872	317	261	7,487	-
-	-	-	152,223	-
-	21,084	-	21,084	-
-	-	2,040	2,040	-
53,756	4,547	-	58,303	-
-	-	-	9,062	-
-	-	-	425,000	-
975	1,213	515	6,776	-
-	-	-	3,699,297	-
1,730	6,440	2,187	26,287	-
67,347	52,489	42,886	4,683,907	-
141,600	165,765	214,034	1,845,312	725,783
-	-	-	517,660	-
402,303	558,880	645,923	3,972,380	979,195
\$ 543,903	\$ 724,645	\$ 859,957	\$ 6,335,352	\$ 1,704,978

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Business Type Activities</b>		
	<b>Water Utility</b>	<b>Waste Water Treatment Utility</b>	<b>Electric Utility</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 273,161	\$ 249,446	\$ 2,370,220
<b>Total Operating Revenue</b>	<b>273,161</b>	<b>249,446</b>	<b>2,370,220</b>
<b>Operating Expenses:</b>			
Resale Purchases	-	-	1,180,594
Employee Services	80,326	61,866	176,267
Contract Services	146,413	107,448	176,355
Supplies	36,533	50,008	42,539
Repairs and Improvements	47,122	30,135	34,626
Utilities	10,286	40,279	-
Miscellaneous	919	602	12,629
Depreciation	53,579	50,902	134,043
<b>Total Operating Expenses</b>	<b>375,178</b>	<b>341,240</b>	<b>1,757,053</b>
<b>Operating Income (Loss)</b>	<b>(102,017)</b>	<b>(91,794)</b>	<b>613,167</b>
<b>Non-Operating Income (Expense):</b>			
Interest Income	1,785	8,684	22,615
Other Non-operating Revenues (Expenses)	2,283	3,677	36,706
Interest Expense	-	-	(98,277)
<b>Total Non-Operating Income (Expenses)</b>	<b>4,068</b>	<b>12,361</b>	<b>(38,956)</b>
<b>Income (Loss) Before Transfers</b>	<b>(97,949)</b>	<b>(79,433)</b>	<b>574,211</b>
<b>Capital Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers Out</b>	<b>(32,500)</b>	<b>(19,750)</b>	<b>(201,250)</b>
<b>Change in Net Assets</b>	<b>(130,449)</b>	<b>(99,183)</b>	<b>372,961</b>
<b>Net Assets - Beginning</b>	<b>949,684</b>	<b>945,580</b>	<b>2,168,254</b>
<b>Net Assets - Ending</b>	<b>\$ 819,235</b>	<b>\$ 846,397</b>	<b>\$ 2,541,215</b>

Business Type Activities				Governmental Activities Internal Service
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	
\$ 801,167	\$ 688,947	\$ 661,524	\$ 5,044,465	\$ 166,600
801,167	688,947	661,524	5,044,465	166,600
428,496	237,387	379,417	2,225,894	-
99,419	77,928	58,305	554,111	-
154,707	243,438	110,622	938,983	-
70,529	17,195	19,222	236,026	-
14,854	8,106	11,001	145,844	23,612
-	15,710	-	66,275	-
12,896	22,105	2,996	52,147	-
22,633	2,420	10,149	273,726	163,541
803,534	624,289	591,712	4,493,006	187,153
(2,367)	64,658	69,812	551,459	(20,553)
933	2,356	3,139	39,512	7,992
3,228	802	1,377	48,073	(14,208)
-	-	-	(98,277)	-
4,161	3,158	4,516	(10,692)	(6,216)
1,794	67,816	74,328	540,767	(26,769)
-	-	-	-	1,751
(69,500)	(51,000)	(85,000)	(459,000)	-
(67,706)	16,816	(10,672)	81,767	(25,018)
611,609	707,829	870,629	6,253,585	1,729,996
\$ 543,903	\$ 724,645	\$ 859,957	\$ 6,335,352	\$ 1,704,978

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Business Type Activities</b>		
	<b>Water Utility</b>	<b>Waste Water Treatment Utility</b>	<b>Electric Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 264,049	\$ 247,036	\$ 2,391,084
Cash Received from Interfund Services Provided	-	-	-
Cash Paid to Suppliers for Goods and Services	(207,100)	(225,298)	(1,385,580)
Cash Paid to Employees for Services	(79,748)	(61,044)	(175,633)
Other Nonoperating Income	2,283	3,677	30,125
Net Cash Provided (Used) by Operating Activities	(20,516)	(35,629)	859,996
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	-	(24,840)	(965,639)
Special Assessment Receipts	469	-	-
Principal Paid on Notes and Bonds	-	-	(400,000)
Capital Debt Proceeds	-	-	4,615,000
Discount on Capital Debt Issued	-	-	(77,994)
Bond Issue Costs	-	-	(26,250)
Capital Debt Refunded	-	-	(1,610,000)
Interest Paid on Notes and Bonds	-	-	(97,690)
Net Cash Provided (Used) by Capital and Related Financing Activities	469	(24,840)	1,437,427
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(32,500)	(19,750)	(201,250)
Advances From (To) Other Funds	220,000	11,791	266,750
Due From (To) Other Funds	(72,525)	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	114,975	(7,959)	65,500
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	1,785	8,985	23,337
Net Cash Provided for Investing Activities	1,785	8,985	23,337
Net Increase (Decrease) in Cash and Cash Equivalents	96,713	(59,443)	2,386,260
Cash and Cash Equivalents at Beginning of Year	1	261,092	1,022,352
Cash and Cash Equivalents at End of Year	\$ 96,714	\$ 201,649	\$ 3,408,612

Business Type Activities				Governmental Activities
Gas Utility	Telephone Utility	Non-major Enterprise Funds	Total	Internal Service
\$ 825,182	\$ 687,834	\$ 660,301	\$ 5,075,486	\$ -
-	-	-	-	166,600
(684,292)	(547,423)	(519,356)	(3,569,049)	(23,612)
(102,529)	(76,204)	(57,627)	(552,785)	-
3,228	802	1,377	41,492	(14,208)
41,589	65,009	84,695	995,144	128,780
-	-	-	(990,479)	(127,779)
-	-	-	469	-
-	-	-	(400,000)	-
-	-	-	4,615,000	-
-	-	-	(77,994)	-
-	-	-	(26,250)	-
-	-	-	(1,610,000)	-
-	-	-	(97,690)	-
-	-	-	1,413,056	(127,779)
(69,500)	(51,000)	(85,000)	(459,000)	-
-	300,000	180,000	978,541	560,000
-	-	-	(72,525)	10,151
(69,500)	249,000	95,000	447,016	570,151
933	2,356	3,139	40,535	7,992
933	2,356	3,139	40,535	7,992
(26,978)	316,365	182,834	2,895,751	579,144
282,098	147,495	391,884	2,104,922	243,755
\$ 255,120	\$ 463,860	\$ 574,718	\$ 5,000,673	\$ 822,899

(Continued)

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (102,017)	\$ (91,794)	\$ 613,167
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	53,579	50,902	134,043
Amortization	-	-	9,365
Miscellaneous Non-Operating Income	2,283	3,677	30,125
Gain on Sale of Fixed Assets	36,154	-	-
(Increase) Decrease in Assets:			
Accounts Receivable	(3,079)	638	41,887
Estimated Unbilled Usage	(6,033)	(3,048)	(21,023)
Inventories	610	-	(2,613)
Prepaid Expenses	(2,037)	(239)	(2,559)
Increase (Decrease) in Liabilities			
Accounts Payable	(686)	3,406	59,839
Accrued Wages	132	223	1,770
Accrued Compensated Absences	176	599	(1,136)
Due To Other Governments	-	-	-
Accrued Expenses	402	7	(2,869)
Customer Deposits	-	-	-
Total Adjustments	81,501	56,165	246,829
Net Cash Provided (Used) by Operating Activities	\$ (20,516)	\$ (35,629)	\$ 859,996

**Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:**

Cash and Cash Equivalents	\$ 96,714	\$ 201,649	\$ 2,881,890
Customer Deposits	-	-	-
Restricted Cash and Cash Equivalents	-	-	526,722
	\$ 96,714	\$ 201,649	\$ 3,408,612



Business Type Activities				Governmental
Gas	Telephone	Non-major		Activities
Utility	Utility	Enterprise	Total	Internal
		Funds		Service
\$ (2,367)	\$ 64,658	\$ 69,812	\$ 551,459	\$ (20,553)
22,633	2,420	10,149	273,726	163,541
-	-	-	9,365	-
3,228	802	1,377	41,492	(14,208)
-	-	-	36,154	-
15,011	(999)	(420)	53,038	-
1,652	-	(803)	(29,255)	-
1,770	966	(162)	571	-
(780)	(757)	(674)	(7,046)	-
(3,821)	(1,619)	5,298	62,417	-
(938)	138	553	1,878	-
(2,172)	1,586	125	(822)	-
-	(2,258)	-	(2,258)	-
21	186	(560)	(2,813)	-
7,352	(114)	-	7,238	-
43,956	351	14,883	443,685	149,333
\$ 41,589	\$ 65,009	\$ 84,695	\$ 995,144	\$ 128,780

\$ 201,364	\$ 459,313	\$ 574,718	\$ 4,415,648	\$ 822,899
53,756	4,547	-	58,303	-
-	-	-	526,722	-
\$ 255,120	\$ 463,860	\$ 574,718	\$ 5,000,673	\$ 822,899

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
Fiduciary Funds  
June 30, 2012

	Pension Trust Fund			
	Police Retirement Fund	Agency Funds		Total
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 3,736	\$ 17,944	\$	21,680
<b>Total Assets</b>	<b>3,736</b>	<b>17,944</b>		<b>21,680</b>
<b>LIABILITIES</b>				
Accounts Payable	416	-		416
Due to Other Governments	-	17,944		17,944
<b>Total Liabilities</b>	<b>416</b>	<b>17,944</b>		<b>18,360</b>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits	3,320	-		3,320
<b>Total Net Assets</b>	<b>\$ 3,320</b>	<b>\$ -</b>	<b>\$</b>	<b>3,320</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2012**

	<u>Pension Trust Fund</u> <u>Police Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 11,422
Total Contributions	<u>11,422</u>
Investment Income:	
Interest, Dividends and Market Gain	<u>16</u>
Net Investment Income	<u>16</u>
Total Additions	<u>11,438</u>
<b>DEDUCTIONS</b>	
Pension Benefits	10,863
Miscellaneous Expenses	<u>600</u>
Total Deductions	<u>11,463</u>
Net (Decrease)	(25)
Net Assets -- Beginning of Period	<u>3,345</u>
Net Assets -- End of Period	<u><u>\$ 3,320</u></u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric and sanitation utilities and telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

**A. Reporting Entity**

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – The Hawarden Regional Healthcare is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for using enterprise fund accounting in these financial statements. Complete financial statements are on file at the hospital.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The Special Revenue Tax Increment Financing Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Capital Project Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

Internal Service Fund – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- 2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following FASB pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The annual financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2012 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2011.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$36,278 at June 30, 2012. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Regional Healthcare's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$975,157 at June 30, 2012.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Enterprise Funds consist of material and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

Interest cost for capital asset construction within enterprise funds are capitalized. Interest costs incurred during fiscal year 2012 were \$101,332 of which \$3,055 was capitalized.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of delinquent property tax receivable and other receivables not collected within sixty days after year end. Also, at year end, amounts of unspent grant proceeds were recorded as unearned revenue.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax that will not be recognized as revenue until the year they are levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2012 exceeded amounts budgeted in public works and debt service functions.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 2 - POOLED CASH , INVESTMENTS AND CASH EQUIVALENTS**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no investments held at year end.

**Note 3 - JOINT VENTURES**

MBMECA - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns an 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

Summary financial information of the joint venture for the year ended December 31, 2011 follows:

	<u>Total</u>	<u>City Share</u>
Assets.....	\$ 8,660,677	\$1,017,630
Liabilities.....	890,681	104,655
Equity.....	7,769,996	912,975
	<u>8,660,677</u>	<u>1,017,630</u>
Revenues.....	1,257,207	147,722
Expenses.....	1,356,717	159,414
Net Decrease in Equity.....	<u>\$ (99,510)</u>	<u>\$ (11,692)</u>

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 375,893	\$ -	\$ 11,862	\$ 364,031
Construction in Progress-infrastructure	37,153	1,500	37,153	1,500
Total capital assets not being depreciated	413,046	1,500	49,015	365,531
Capital assets being depreciated:				
Buildings	5,093,764	-	185,752	4,908,012
Improvements other than buildings	1,367,056	-	-	1,367,056
Equipment and vehicles	2,974,630	134,284	35,960	3,072,954
Infrastructure, road network	4,770,592	879,983	-	5,650,575
Total capital assets being depreciated	14,206,042	1,014,267	221,712	14,998,597
Less: Accumulated Depreciation for:				
Buildings	2,329,513	109,342	118,882	2,319,973
Improvements other than buildings	554,359	37,297	-	591,656
Equipment and vehicles	2,092,208	185,310	31,206	2,246,312
Infrastructure, road network	1,539,231	84,561	-	1,623,792
Total Accumulated Depreciation	6,515,311	416,510	150,088	6,781,733
Total capital assets being depreciated, net	7,690,731	597,757	71,624	8,216,864
Governmental activities capital assets, net	\$ 8,103,777	\$ 599,257	\$ 120,639	\$ 8,582,395
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	447,110	968,693	321,324	1,094,479
Total capital assets not being depreciated	503,204	968,693	321,324	1,150,573
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	13,355,242	310,011	-	13,665,253
Total capital assets being depreciated	13,497,618	310,011	-	13,807,629
Less: Accumulated Depreciation for:				
Buildings	95,738	3,277	-	99,015
Utility Plant	10,658,491	270,449	-	10,928,940
Total Accumulated Depreciation	10,754,229	273,726	-	11,027,955
Total capital assets being depreciated, net	2,743,389	36,285	-	2,779,674
Business-Type activities capital assets, net	\$ 3,246,593	\$ 1,004,978	\$ 321,324	\$ 3,930,247

Note: Investment in NW Iowa Solid Waste is to be carried forward at the amount of \$33,776.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 4 -CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

Culture & Recreation	\$ 76,046
General Government	169,277
Health & Social Services	1,295
Public Safety	24,233
Public Works	145,659
Total depreciation expense – governmental activities	<u>\$ 416,510</u>

The governmental depreciation expense amount shown above includes \$163,541 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

**Business-Type Activities:**

Cable/Internet	\$ 10,149
Electric	134,043
Gas	22,633
Telephone	2,420
Waste Water	50,902
Water	53,579
Total depreciation expense – business type activities	<u>\$ 273,726</u>

Discretely presented component unit	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 234,912	\$ -	\$ -	\$ 234,912
Construction-in-Progress	92,233	172,511	-	264,744
Total capital assets, not being depreciated	<u>327,145</u>	<u>172,511</u>	<u>-</u>	<u>499,656</u>
Capital assets being depreciated:				
Land Improvements	54,997	-	-	54,997
Hospital	1,556,820	-	-	1,556,820
Fixed Equipment	508,011	58,289	-	566,300
Major Moveable Equipment	2,044,271	18,746	-	2,063,017
Total capital assets being depreciated	<u>4,164,099</u>	<u>77,035</u>	<u>-</u>	<u>4,241,134</u>
Less: Accumulated Depreciation for:				
Land Improvements	32,228	1,795	-	34,023
Hospital	1,124,253	38,377	-	1,162,630
Fixed Equipment	412,914	11,361	-	424,275
Major Moveable Equipment	1,527,765	202,611	-	1,730,376
Total Accumulated Depreciation	<u>3,097,160</u>	<u>254,144</u>	<u>-</u>	<u>3,351,304</u>
Total capital assets being depreciated, net	1,066,939	(177,109)	-	889,830
Total capital assets, net	<u>\$ 1,394,084</u>	<u>\$ (4,598)</u>	<u>\$ -</u>	<u>\$ 1,389,486</u>

Total depreciation expense – discretely presented component unit \$ 254,144

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 4 - CAPITAL ASSETS – (Continued)**

Reconciliation of Invested In Capital Assets, net of related debt.

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 364,031	\$ 56,094	\$ 234,912
Construction-in-Progress	1,500	1,094,479	264,744
Capital Assets (net of accumulated depreciation)	8,216,864	2,779,674	889,830
Less:			
General Obligation Bonds Payable	1,572,226	-	-
Revenue Bonds	-	2,084,935	-
	<u>\$ 7,010,169</u>	<u>\$ 1,845,312</u>	<u>\$ 1,389,486</u>

**Note 5 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 32,250	\$ 6,201	\$ 6,450	\$ 32,001	\$ 6,400
General Obligation Bonds/Notes	400,000	750,000	80,269	1,069,731	50,000
General Obligation Refunding Note	577,436	-	74,941	502,495	139,530
Other Post Employment Benefit	4,616	2,308	-	6,924	-
	<u>\$ 1,014,302</u>	<u>\$ 758,509</u>	<u>\$ 161,660</u>	<u>\$ 1,611,151</u>	<u>\$ 195,930</u>
Business type activities:					
Revenue notes	\$ 1,610,000	\$ 4,615,000	\$ 2,100,703	\$ 4,124,297	\$ 425,000
Compensated Absences	33,884	5,956	6,777	33,063	6,776
	<u>\$ 1,643,884</u>	<u>\$ 4,620,956</u>	<u>\$ 2,107,480</u>	<u>\$ 4,157,360</u>	<u>\$ 431,776</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

General Obligation Bonds/Notes

Three issues of unmatured general obligation bonds/notes, totaling \$1,572,226 are outstanding at June 30, 2012. General obligation bonds/notes bear interest at rates ranging from 3.20-4.25% and mature in varying annual amounts, ranging from \$50,000 to \$90,000, with the final maturities due in the year ending June 1, 2022.

During the year ended June 30, 2009 \$423,000 was drawn on a bond anticipation note. An additional \$77,000 was drawn in July 2009. On August 20, 2009 the total of \$500,000 was refinanced into General Obligation Corporate Purpose bonds with an interest rate of 4.25% and maturing June 2019. The bonds are being used to finance infrastructure construction and economic development funds.

Details of general obligation bonds/notes payable at June 30, 2012 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2012
General obligation bonds/notes:						
General Corporate Purpose	August 20, 2009	4.25%	June 1, 2019	50,000	500,000	\$ 350,000
General Corporate Purpose	November 30, 2011	3.20%	June 1, 2022	84,627	750,000	719,731
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	502,495
						<u>\$ 1,572,226</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 189,530	\$ 52,589	\$ 242,119
2014	194,069	45,924	239,993
2015	198,757	39,112	237,869
2016	203,598	32,146	235,744
2017	208,595	25,024	233,619
2018-2022	577,677	42,472	620,149
Total	<u>\$ 1,572,226</u>	<u>\$ 237,267</u>	<u>\$ 1,809,493</u>

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

The City issued \$4,615,000 of Electric Revenue Improvement and Refunding Bonds on November 30, 2011. Proceeds were used to refund Series 2004, Electric Revenue Refunding, which reduced future debt service payments. The transaction resulted in an economic gain of \$95,989 and a reduction of \$99,095 in future debt service payments. The remaining proceeds will be used to finance the Electric Utility Underground Project.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2012</u>	<u>Actual Balance June 30, 2012</u>
Electric	Electric Revenue Sinking Fund	\$ 44,479	\$ 44,479
Electric	Bond and Interest Reserve	362,359	382,243
Electric	Bond Improvement	100,000	100,000

These amounts are classified as restricted assets on the combined balance sheet.

Details of revenue notes payable at June 30, 2012 are as follows:

<u>Business Type Activities</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2012</u>
Revenue Notes: Electric Improvement and Refunding	Nov. 30, 2011	2.55-4.3%	June 1, 2031	155,000-430,000	\$ 4,615,000	\$ 4,215,000

The revenue notes outstanding on the Statement of Net Assets is shown less bond discounts of \$90,703.

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 425,000	\$ 108,743	\$ 533,743
2014	430,000	105,130	535,130
2015	330,000	100,400	430,400
2016	155,000	95,945	250,945
2017	155,000	93,465	248,465
2018-2022	835,000	414,490	1,249,490
2023-2027	975,000	283,310	1,258,310
2028-2031	910,000	91,375	1,001,375
Total	\$ 4,215,000	\$ 1,292,858	\$ 5,507,858



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 6 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenue	\$ 12,500
	Non-Major Governmental	309,235
	Enterprise:	
	Water	25,500
	Electric	191,250
	Gas	59,500
	Telephone	51,000
	Wastewater	12,750
	Non-Major Enterprise	85,000
		<u>746,735</u>
Capital Projects - Street	Special Revenue:	
	Tax Increment Financing Revenues	150,000
		<u>150,000</u>
Non-Major Funds	General	5,250
	Special Revenue:	
	Tax Increment Financing Revenue	157,805
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		<u>197,055</u>
Total Transfers		<u>\$ 1,093,790</u>

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

**Note 7 – INTERNAL BALANCES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2012, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 7 – INTERNAL BALANCES – (Continued)**

The detail of short-term interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Enterprise:	
Gas	Electric	\$ 133,250
Electric	Water	7,324
Internal Service:	Enterprise:	
Capital Equipment	Electric	11,649
		<u>\$ 152,223</u>

The detail of long-term advances to and from other funds at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Electric	Tax Increment Financing	\$ 126,637
Wastewater	Tax Increment Financing	137,323
Internal Service	Tax Increment Financing	25,000
		<u>\$ 288,960</u>

**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$96,541, \$92,236 and \$83,405, respectively, equal to the required contributions for each year.

In addition the Hawarden Regional Healthcare contributed the following amounts for the year ended June 30, 2012, 2011, and 2010, respectively, \$185,618, \$139,603, and \$123,484. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)**

personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$245,579.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2012.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits.....	\$ 97,390
Net Assets Available for Benefits at Market.....	-

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$10,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$97,390.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$10,863 as required by the pay-as-you-go method of funding. This \$10,863 was paid by the City as required. The amount was not actuarially determined.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)**

Three-year trend information is as follows:

	June 30, <u>2012</u>	June 30, <u>2011</u>	June 30, <u>2010</u>
Net assets available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

**Note 9 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2011-12 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

**Note 10 - POSTCLOSURE COSTS**

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$2,040 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

**Note 11 - NOTES RECEIVABLE**

In fiscal year 2002, the City advanced Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount was recorded in the debt service fund. During fiscal year 2011 the City repaid the loan from local institutions and renegotiated with Wee Care to repay the City over 12 years. The receivable and liability were removed from the debt service fund and now a receivable is recorded in the internal service fund. The note bears interest at 3.00% with payments as shown on the next page:

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 11 - NOTES RECEIVABLE – (Continued)**

<u>Fiscal Year</u>	<u>Principal</u>
2013	\$ 10,460
2014	10,778
2015	11,106
2016	11,444
2017	11,792
2018-2022	64,067
Total Note Receivable	<u>\$ 119,647</u>

During the fiscal year ended June 30, 2010 the City loaned Pro Sport Bistro \$10,000 as part of the downtown incentive program for economic development. The loan was provided from the Tax Increment Financing fund. The first payment was due on April 1, 2010 and the note bears no interest. The remaining payments consist of the following:

<u>Fiscal Year</u>	<u>Principal</u>
2013	\$ 2,000
2014	2,000
2015	1,500
Total Note Receivable	<u>\$ 5,500</u>

Also during the fiscal year end June 30, 2009 the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. Loans by the City from Hawarden's Revolving Loan fund at June 30, 2012 consisted of \$350,364 to Hawarden Area Partnership for Progress. HAPP had until September 1, 2011 to sell their building. If at that time the building had not been sold the total \$389,295 loan will begin to be repaid to the City over 10 years at 0% interest. HAPP made payments totaling \$38,930 for the year ended June 30, 2012.

<u>Fiscal Year</u>	<u>Principal</u>
2013	\$ 38,930
2014	38,930
2015	38,930
2016	38,930
2017	38,930
2018-2021	155,715
Total Note Receivable	<u>\$ 350,365</u>

During the fiscal year ended June 30, 2012, the City made two loans through the USDA Rural Business Enterprise Grant Program. One loan was made to In-Weave for \$30,000 and had a balance of \$27,733 as of June 30, 2012. The other loan was made to Hoogestrat for \$30,000 and had a balance of \$29,034 as of June 30, 2012. Each loan is scheduled to be repaid over 7 years, with monthly payments, at 3% interest.

<u>Fiscal Year</u>	<u>Principal</u>
2013	\$ 7,919
2014	8,160
2015	8,408
2016	8,664
2017	8,927
2018-2019	14,689
Total Note Receivable	<u>\$ 56,767</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 12 - RELATED PARTY TRANSACTIONS**

*Hawarden Community Clinic*

Effective January 1, 2005, the Hawarden Regional Healthcare and Mercy Medical Services entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Regional Healthcare Clinics, LLC, (HRHC). The Hawarden Regional Healthcare and MMS share equally in the net income (loss) of HRHC. The Hospital's share of Hawarden Clinic's (HC) 2012 and 2011 (from January 1 through June 30) operating loss was \$12,068 and \$109,580, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hospital hires the employees of HC and leases them back to HC. Amounts received by the Hospital for expenses paid in 2012 and 2011 was \$292,970 and \$328,013, respectively, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hospital also received management fees from HC totaling \$50,000 in 2012 and 2011, and monthly rent totaling \$27,600 for the years ended June 30, 2012 and 2011. These amounts are included in other revenue.

HC owed the Hospital \$404,381 and \$507,862 at June 30, 2012 and 2011, respectively. These amounts are recorded in due from related party on the balance sheets.

*Ireton Community Clinic*

Effective June 1, 2008, the Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2012 and 2011 operating loss was \$3,017 and \$13,284, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net assets.

The Hawarden Regional Healthcare hires the employees of ICC and leases them back to ICC. Amounts received by the Hawarden Regional Healthcare for expenses paid in 2012 and 2011 was \$47,509 and \$39,630, respectively, and is included in the accompanying statements of revenue, expenses and changes in net assets. The Hawarden Regional Healthcare also received management fees from ICC totaling \$10,000 in 2012 and 2011. These fees are included in other revenue.

ICC owed the hospital \$6,683 and \$44,372 at June 30, 2012 and 2011, respectively. These amounts are recorded in due from related party on the balance sheet.

**Note 13 - LEASES WITH RELATED PARTIES**

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses, with the retirees paying the full premium. There are 23 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 2,308
Interest on net OPEB obligation	-0-
Adjustment to annual required contribution	-0-
Annual OPEB cost	2,308
Contributions made	-0-
Increase in net OPEB obligation	2,308
Net OPEB obligation beginning of year	4,616
Net OPEB obligation end of year	<u>\$ 6,924</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the City contributed \$-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 2,308	0.0%	\$ 2,308
June 30, 2011	\$ 2,308	0.0%	\$ 4,616
June 30, 2012	\$ 2,308	0.0%	\$ 6,924

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$14,965, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,965. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,143,000 and the ratio of the UAAL to covered payroll was 1.3%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group.

Projected annual claim costs of the medical plan are \$13,708 for retirees and \$15,870 for their spouses less than age 65 and there are no participating retirees who have attained age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2012**

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Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	<b>Original Budget</b>	<b>5/23/12 Amendment</b>	<b>Amended Budget</b>
Public Safety	\$ 581,006	\$ 25,000	\$ 606,006
Public Works	335,159	12,500	347,659
Health and Social Services	280,000	-	280,000
Culture and Recreation	380,058	-	380,058
Community and Economic Development	99,634	61,575	161,209
General Government	105,433	-	105,433
Debt Service	159,573	42,336	201,909
Capital Projects	2,061,000	124,842	2,185,842
Business Type Activities	12,835,515	214,767	13,050,282
Transfer Out	1,282,120	1,644,079	2,926,199

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2012**

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5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2012**

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
<b>Revenues:</b>			
Property Taxes .....	\$ 1,042,776	\$ -	\$ 1,042,776
Special Assessments .....	-	-	-
Licenses .....	24,061	-	24,061
Intergovernmental .....	651,204	-	651,204
Charges .....	238,529	5,211,065	5,449,594
Fines .....	12,591	-	12,591
Contributions .....	15,684	-	15,684
Refunds .....	17,364	-	17,364
Rental Income .....	15,833	-	15,833
Interest .....	9,825	47,504	57,329
Miscellaneous .....	2,407	48,073	50,480
Total Revenue .....	<u>2,030,274</u>	<u>5,306,642</u>	<u>7,336,916</u>
<b>Expenditures:</b>			
Public Safety .....	598,666	-	598,666
Public Works .....	359,431	-	359,431
Health and Social Services .....	279,819	-	279,819
Culture and Recreation .....	368,032	-	368,032
Community and Economic Development .....	146,172	-	146,172
General Government .....	73,883	-	73,883
Capital .....	915,537	-	915,537
Debt Service .....	217,113	-	217,113
Business Type Activities .....	-	4,792,644	4,792,644
Total Expenditures/Expenses .....	<u>2,958,653</u>	<u>4,792,644</u>	<u>7,751,297</u>
Excess (Deficiency) of Revenues Over Expenditures ....	<u>(928,379)</u>	<u>513,998</u>	<u>(414,381)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from Other Funds .....	1,093,790	-	1,093,790
Bond Proceeds .....	750,000	-	750,000
Capital Contributions .....	-	1,751	1,751
Proceeds (Loss) From Asset Sales .....	223,069	-	223,069
Transfers to Other Funds .....	(634,790)	(459,000)	(1,093,790)
Total Other Financing Sources (Uses) .....	<u>1,432,069</u>	<u>(457,249)</u>	<u>974,820</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	503,690	56,749	560,439
Fund Balance/Retained Earnings at Beginning of Year..	1,411,095	7,983,581	9,394,676
Fund Balance/Retained Earnings at End of Year .....	<u>\$ 1,914,785</u>	<u>\$ 8,040,330</u>	<u>\$ 9,955,115</u>

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2012**

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Amendment	Final Amended Budget	Variance Favorable (Unfavorable)
\$ -	\$ 1,042,776	\$ 1,345,705	\$ -	\$ 1,345,705	\$ (302,929)
-	-	-	-	-	-
-	24,061	26,385	-	26,385	(2,324)
278,233	929,437	274,482	186,152	460,634	468,803
7,376,274	12,825,868	13,731,345	-	13,731,345	(905,477)
-	12,591	-	-	-	12,591
1,703	17,387	-	-	-	17,387
-	17,364	-	-	-	17,364
-	15,833	-	-	-	15,833
12,310	69,639	35,200	-	35,200	34,439
20,861	71,341	41,500	-	41,500	29,841
7,689,381	15,026,297	15,454,617	186,152	15,640,769	(614,472)
-	598,666	581,006	25,000	606,006	7,340
-	359,431	335,159	12,500	347,659	(11,772)
-	279,819	280,000	-	280,000	181
-	368,032	380,058	-	380,058	12,026
-	146,172	99,634	61,575	161,209	15,037
-	73,883	105,433	-	105,433	31,550
-	915,537	2,061,000	124,842	2,185,842	1,270,305
-	217,113	159,573	42,336	201,909	(15,204)
6,663,838	11,456,482	12,835,515	214,767	13,050,282	1,593,800
6,663,838	14,415,135	16,837,378	481,020	17,318,398	2,903,263
1,025,543	611,162	(1,382,761)	(294,868)	(1,677,629)	2,288,791
-	1,093,814	3,314,120	1,838,079	5,152,199	(4,058,409)
-	750,000	-	-	-	750,000
-	1,751	-	-	-	1,751
-	223,069	-	-	-	223,069
-	(1,093,790)	(1,282,120)	(1,644,079)	(2,926,199)	1,832,409
-	974,820	2,032,000	194,000	2,226,000	(1,251,180)
1,025,543	1,585,982	649,239	(100,868)	548,371	1,037,611
3,787,830	13,182,508	-	-	-	-
\$ 4,813,373	\$14,768,490	\$ 649,239	\$ (100,868)	\$ 548,371	\$ 1,037,611

CITY OF HAWARDEN, IOWA  
 POST EMPLOYMENT HEALTHCARE BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 For the Year Ended June 30, 2012

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2010	6/30/2010 *	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,115,467	1.342%
6/30/2011	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,290,000	1.160%
6/30/2012	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,143,000	1.309%

\* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 15 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF HAWARDEN, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
JUNE 30, 2012

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Debt Service Fund
<b>Assets</b>						
Cash and Cash Equivalents	\$ 39,712	\$ 5,010	\$ -	\$ 4,800	\$ 39,114	\$ 47,793
Receivables (Net, where applicable, of allowance for uncollectibles)						
Taxes	-	2,560	-	-	-	1,545
Subsequent Year Taxes	-	131,850	-	-	-	93,101
Notes Receivable	-	-	-	56,767	350,365	-
Due from Other Governmental Agencies	17,812	-	43,975	-	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
<b>Total Assets</b>	<b>57,524</b>	<b>139,420</b>	<b>43,975</b>	<b>61,567</b>	<b>389,479</b>	<b>142,439</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	-	-	43,975	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	131,850	-	-	-	93,101
<b>Total Liabilities</b>	<b>-</b>	<b>131,850</b>	<b>43,975</b>	<b>-</b>	<b>-</b>	<b>93,101</b>
<b>Fund Balances:</b>						
Nonspendable:						
Notes Receivable	-	-	-	-	350,365	-
Library Endowment	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	49,338
Road Surface Repairs	57,524	-	-	-	-	-
Employee Benefits	-	7,570	-	-	-	-
Revolving Loan Fund	-	-	-	61,567	39,114	-
Low-Moderate Income Project	-	-	-	-	-	-
Library Endowment	-	-	-	-	-	-
Assigned for:						
Capital Improvement	-	-	-	-	-	-
Mapping	-	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>57,524</b>	<b>7,570</b>	<b>-</b>	<b>61,567</b>	<b>389,479</b>	<b>49,338</b>
<b>Total Liabilities and Equity</b>	<b>\$ 57,524</b>	<b>\$ 139,420</b>	<b>\$ 43,975</b>	<b>\$ 61,567</b>	<b>\$ 389,479</b>	<b>\$ 142,439</b>



Capital Projects							Permanent Fund	Total
Capital Improve- ment	Walking Trail Project	Heart of Hawarden Project	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds
\$ 17,938	\$ 45,314	\$ -	\$ 237,307	\$ 94,636	\$ 13,369	\$ 51,782	\$ 38,005	\$ 634,780
-	-	-	-	-	-	-	-	4,105
-	-	-	-	-	-	-	-	224,951
-	-	-	-	-	-	-	-	407,132
-	-	-	-	-	-	8,873	-	70,660
-	-	-	-	-	-	-	134,902	134,902
17,938	45,314	-	237,307	94,636	13,369	60,655	172,907	1,476,530
-	-	-	-	-	-	-	-	43,975
-	-	-	-	-	-	-	-	224,951
-	-	-	-	-	-	-	-	268,926
-	-	-	-	-	-	-	-	350,365
-	-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	-	49,338
-	-	-	-	-	-	-	-	57,524
-	-	-	-	-	-	-	-	7,570
-	-	-	-	-	-	-	-	100,681
-	-	-	-	-	-	60,655	-	60,655
-	-	-	-	-	-	-	37,962	37,962
17,938	-	-	-	-	-	-	-	17,938
-	-	-	-	-	13,369	-	-	13,369
-	45,314	-	237,307	94,636	-	-	-	377,257
17,938	45,314	-	237,307	94,636	13,369	60,655	172,907	1,207,604
\$ 17,938	\$ 45,314	\$ -	\$ 237,307	\$ 94,636	\$ 13,369	\$ 60,655	\$ 172,907	\$ 1,476,530

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2012**

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Debt Service Fund
Revenue:						
Taxes	\$ -	\$ 128,023	\$ -	\$ -	\$ -	\$ 92,904
Intergovernmental Revenue	239,518	-	279,819	55,800	-	-
Contributions	-	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-	-
Interest	-	-	-	740	55	441
Total Revenue	239,518	128,023	279,819	56,540	55	93,345
Expenditures:						
Public Safety	-	11,422	-	-	-	-
Public Works	32,000	-	-	-	-	-
Health and Social Services	-	-	279,819	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	201,909
Total Expenditures	32,000	11,422	279,819	-	-	201,909
Excess (deficiency) of revenues over expenditures	207,518	116,601	-	56,540	55	(108,564)
Other financing sources (uses):						
Transfers In	-	-	-	-	-	108,805
Transfers Out	(188,000)	(116,235)	-	-	-	-
Total other financing sources (uses)	(188,000)	(116,235)	-	-	-	108,805
Net Change in Fund Balance	19,518	366	-	56,540	55	241
Fund balances (Deficits) - beginning of year	38,006	7,204	-	5,027	389,424	49,097
Fund balances - end of year	\$ 57,524	\$ 7,570	\$ -	\$ 61,567	\$ 389,479	\$ 49,338

Capital Projects								Permanent Fund	Total
Capital Improve-ment	Walking Trail Project	Heart of Hawarden Project	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/Vipond Trust		Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,927
-	-	-	-	-	-	29,254	-	-	604,391
-	-	-	-	-	-	9,140	5,698	-	14,838
-	-	-	-	2,507	-	-	-	-	2,507
120	59	4	1,254	534	74	466	1,218	-	4,965
120	59	4	1,254	3,041	74	38,860	6,916	-	847,628
-	-	-	-	-	-	-	-	-	11,422
-	-	-	-	-	-	-	-	-	32,000
-	-	-	-	-	-	-	-	-	279,819
-	-	-	-	-	-	-	10,465	-	10,465
-	-	708	-	-	-	-	-	-	708
-	-	-	-	-	2,425	68,772	-	-	71,197
-	-	-	-	-	-	-	-	-	201,909
-	-	708	-	-	2,425	68,772	10,465	-	607,520
120	59	(704)	1,254	3,041	(2,351)	(29,912)	(3,549)	-	240,108
-	49,000	-	34,000	5,250	-	-	-	-	197,055
(5,000)	-	-	-	-	-	-	-	-	(309,235)
(5,000)	49,000	-	34,000	5,250	-	-	-	-	(112,180)
(4,880)	49,059	(704)	35,254	8,291	(2,351)	(29,912)	(3,549)	-	127,928
22,818	(3,745)	704	202,053	86,345	15,720	90,567	176,456	-	1,079,676
\$ 17,938	\$ 45,314	\$ -	\$ 237,307	\$ 94,636	\$ 13,369	\$ 60,655	\$ 172,907	\$ -	\$ 1,207,604

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Nonmajor Funds**  
**June 30, 2012**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total Enterprise Nonmajor Funds</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 252,337	\$ 322,381	\$ 574,718
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	12,529	3,335	15,864
Estimated Unbilled Usage	8,207	-	8,207
Investment in Joint Venture	33,776	-	33,776
Inventories	-	51,182	51,182
Prepaid Assets	657	4,405	5,062
Non-Current Assets:			
Land	22,085	-	22,085
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	-	191,949	191,949
<b>Total Assets</b>	<b>329,591</b>	<b>573,252</b>	<b>902,843</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	9,398	26,415	35,813
Accrued Wages	-	2,070	2,070
Accrued Expenses	12	249	261
Accrued Postclosure Costs	2,040	-	2,040
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	-	515	515
Due in more than one year:			
Compensated Absences	-	2,187	2,187
<b>Total Liabilities</b>	<b>11,450</b>	<b>31,436</b>	<b>42,886</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	22,085	191,949	214,034
Unrestricted	296,056	349,867	645,923
<b>Total Net Assets</b>	<b>\$ 318,141</b>	<b>\$ 541,816</b>	<b>\$ 859,957</b>

CITY OF HAWARDEN, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
Proprietary Nonmajor Funds  
For the Year Ended June 30, 2012

	Solid Waste Utility	Cable/Internet Utility	Total Enterprise Nonmajor Funds
<b>Operating Revenues:</b>			
Charges for Services	\$ 155,080	\$ 506,444	\$ 661,524
<b>Total Operating Revenue</b>	<u>155,080</u>	<u>506,444</u>	<u>661,524</u>
<b>Operating Expenses:</b>			
Resale Purchases	121,460	257,957	379,417
Employee Services	-	58,305	58,305
Contract Services	14,586	96,036	110,622
Supplies	-	19,222	19,222
Repairs and Improvements	-	11,001	11,001
Miscellaneous	305	2,691	2,996
Depreciation	-	10,149	10,149
<b>Total Operating Expenses</b>	<u>136,351</u>	<u>455,361</u>	<u>591,712</u>
<b>Operating Income</b>	18,729	51,083	69,812
<b>Non-Operating Income:</b>			
Interest Income	1,585	1,554	3,139
Other Non-operating Revenues	853	524	1,377
<b>Total Non-Operating Income</b>	<u>2,438</u>	<u>2,078</u>	<u>4,516</u>
<b>Income before Transfers</b>	21,167	53,161	74,328
<b>Transfers Out</b>	<u>(34,000)</u>	<u>(51,000)</u>	<u>(85,000)</u>
<b>Change in Net Assets</b>	(12,833)	2,161	(10,672)
<b>Net Assets - Beginning</b>	<u>330,974</u>	<u>539,655</u>	<u>870,629</u>
<b>Net Assets - Ending</b>	<u>\$ 318,141</u>	<u>\$ 541,816</u>	<u>\$ 859,957</u>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Nonmajor Funds**  
**For the Year Ended June 30, 2012**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total Enterprise Nonmajor Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 153,108	\$ 507,193	\$ 660,301
Cash Paid to Suppliers for Goods and Services	(136,640)	(382,716)	(519,356)
Cash Paid to Employees for Services	-	(57,627)	(57,627)
Other Nonoperating Income	853	524	1,377
Net Cash Provided by Operating Activities	17,321	67,374	84,695
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	(34,000)	(51,000)	(85,000)
Advances From (To) Other Funds	180,000	-	180,000
Net Cash (Used) for Non-Capital Financing Activities	146,000	(51,000)	95,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	1,585	1,554	3,139
Net Cash Provided for Investing Activities	1,585	1,554	3,139
Net Increase in Cash and Cash Equivalents	164,906	17,928	182,834
Cash and Cash Equivalents at Beginning of Year	87,431	304,453	391,884
Cash and Cash Equivalents at End of Year	\$ 252,337	\$ 322,381	\$ 574,718

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Nonmajor Funds**  
**For the Year Ended June 30, 2012**

	<b>Solid Waste Utility</b>	<b>Cable/Internet Utility</b>	<b>Total</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 18,729	\$ 51,083	\$ 69,812
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	-	10,149	10,149
Miscellaneous Non-Operating Income	853	524	1,377
(Increase) Decrease in Assets:			
Accounts Receivable	(1,169)	749	(420)
Estimated Unbilled Usage	(803)	-	(803)
Inventories		(162)	(162)
Prepaid Expenses	(33)	(641)	(674)
Increase (Decrease) in Liabilities			
Accounts Payable	424	4,874	5,298
Accrued Wages	-	553	553
Accrued Compensated Absences	-	125	125
Accrued Expenses	(680)	120	(560)
Total Adjustments	(1,408)	16,291	14,883
Net Cash Provided by Operating Activities	\$ 17,321	\$ 67,374	\$ 84,695

**Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:**

Cash and Cash Equivalents	\$ 252,337	\$ 322,381	\$ 574,718
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**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Fiduciary Funds**  
**JUNE 30, 2012**

	<b>Agency Funds</b>			
	Payroll Clearing	Flex Spending	Community Projects	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,547	\$ 3,665	\$ 11,732	\$ 17,944
<b>Total Assets</b>	<u>2,547</u>	<u>3,665</u>	<u>11,732</u>	<u>17,944</u>
<b>LIABILITIES</b>				
Due to Other Governments	2,547	3,665	11,732	17,944
<b>Total Liabilities</b>	<u>\$ 2,547</u>	<u>\$ 3,665</u>	<u>\$ 11,732</u>	<u>\$ 17,944</u>



**CITY OF HAWARDEN, IOWA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b><u>PAYROLL CLEARING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ -	\$ 1,749,882	\$ 1,747,335	\$ 2,547
Due From Other Governments	1,060	-	1,060	-
Total Assets	1,060	1,749,882	1,748,395	2,547
<u>Liabilities</u>				
Due to Other Governments	-	1,749,882	1,747,335	2,547
Cash Deficit	1,060	-	1,060	-
Total Liabilities	1,060	1,749,882	1,748,395	2,547
<b><u>FLEX SPENDING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	3,248	13,492	13,075	3,665
Total Assets	3,248	13,492	13,075	3,665
<u>Liabilities</u>				
Due to Other Governments	3,248	13,492	13,075	3,665
Total Liabilities	3,248	13,492	13,075	3,665
<b><u>COMMUNITY PROJECTS FUND</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	12,336	9,652	10,256	11,732
Total Assets	12,336	9,652	10,256	11,732
<u>Liabilities</u>				
Due to Other Governments	12,336	9,652	10,256	11,732
Total Liabilities	12,336	9,652	10,256	11,732
<b><u>ALL AGENCY FUNDS TOTAL</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	15,584	1,773,026	1,770,666	17,944
Due From Other Governments	1,060	-	1,060	-
Total Assets	16,644	1,773,026	1,771,726	17,944
<u>Liabilities</u>				
Due to Other Governments	15,584	1,773,026	1,770,666	17,944
Cash Deficit	1,060	-	1,060	-
Total Liabilities	\$ 16,644	\$ 1,773,026	\$ 1,771,726	\$ 17,944

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2012**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.  
There were no prior year audit findings.

**INTERNAL CONTROL MATERIAL WEAKNESS:**

**II-A-12 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-12 Certified Budget** – Disbursements during the year ended June 30, 2012 exceed amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**III-B-12 Questionable Expenses** – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2012**

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**Part III: Other Findings Related to Required Statutory Reporting – (Continued)**

**III-C-12** Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-12** Business Transactions – The following business transactions between the City and City officials and/or employees were noted during the year ended June 30, 2012.

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Dennis Anderson, Spouse of Council-Person and owner of Anderson Construction	Various concrete projects	\$ 11,119

These projects not awarded through the competitive bid process consist of small patching or repair projects. These transactions may represent a conflict of interest and the City should contact legal council for determination.

**III-E-12** Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

**III-F-12** Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

**III-G-12** Revenue Bonds – No violations of revenue bond resolutions were noted.

**III-H-12** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**III-I-12** Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Hawarden, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated November 13, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Hawarden Regional Healthcare, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the City of Hawarden is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Hawarden, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hawarden, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item II-A-12 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Hawarden, Iowa's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City of Hawarden, Iowa's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

November 13, 2012